

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008)**

Todd Lundgren	President	2008
Grant Gibbons	Vice President	2009
Dan Hansen		2008
Sean Whalen		2011
Michelle Stapp		2009
David Mickelson		2009
Rob Scott		2009

**(After September 2008)**

Todd Lundgren	President	2011
Dan Hansen	Vice President	2011
David Mickelson		2011
Sean Whalen		2011
Michelle Stapp		2009
Grant Gibbons		2009
Rob Scott		2009

**School Officials**

Dr. Mike Jorgensen	Superintendent
Karla Flickinger	District Secretary /Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Southeast Webster-Grand Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District, Burnside, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

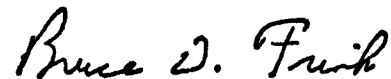
We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2010 on our consideration of Southeast Webster-Grand Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Webster-Grand Community School District's basic financial statements. We previously audited the financial statements of the District for the three years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited the financial statements of the two predecessor districts for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK  
Certified Public Accountant

March 26, 2010

## **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Southeast Webster-Grand Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,782,405 in fiscal year 2008, to \$6,050,063 in fiscal year 2009, a five percent increase. General Fund expenditures increased from \$6,174,523 in fiscal year 2008 to \$6,223,094 in fiscal year 2009, a 1% increase.
- The General Fund decreased over \$173,000. Part of this is that the District continues to absorb more of the costs of the charter high school than in previous years.
- The District collected Statewide Sales and Services Tax during the year. These revenues were used to pay on the remaining revenue bonds.
- The District has a negative solvency ratio. This is an indicator of how financially sound the District is. 5-10% is a commonly quoted range to achieve.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Webster-Grand Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Webster-Grand Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southeast Webster-Grand Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Southeast Webster Grand Community School District Annual Financial Report***

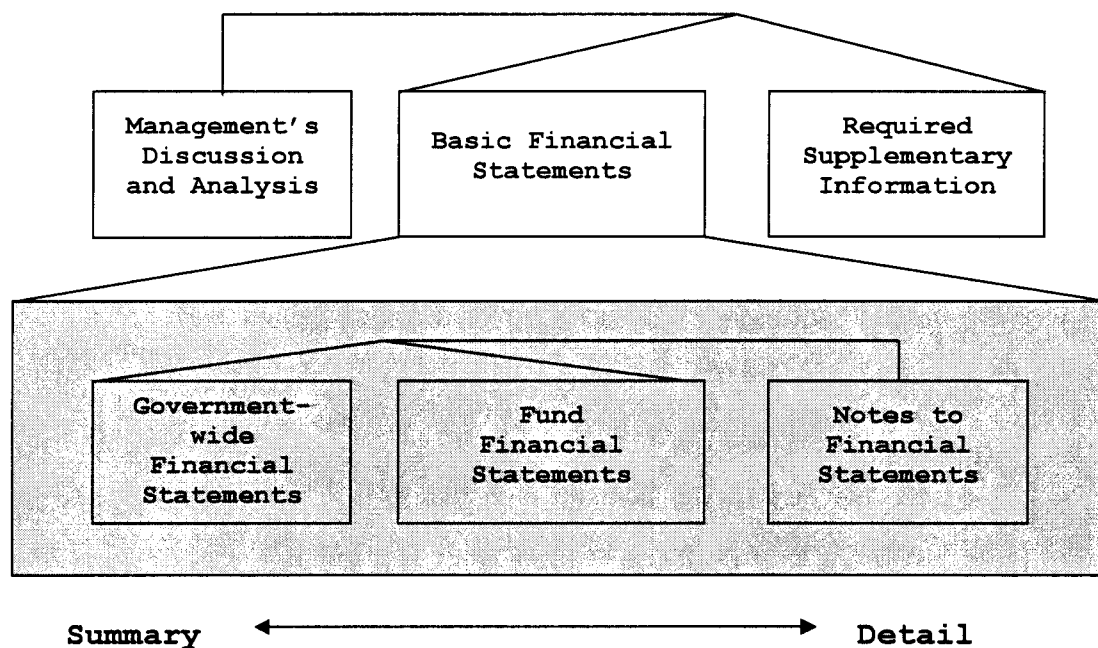


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, Eagles Nest and day care
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all of its funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District Enterprise Funds included the School Nutrition Fund, Eagles Nest and Daycare.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 5,308	3,628	45	29	5,353	3,657	46.38%
Capital assets	2,510	2,513	10	16	2,520	2,529	-0.36%
Total assets	7,818	6,141	55	45	7,873	6,186	27.27%
Current liabilities	4,897	3,202	-	-	4,897	3,202	52.94%
Non-current liabilities	248	308	-	-	248	308	-19.48%
Total liabilities	5,145	3,510	-	-	5,145	3,510	46.58%
Net Assets							
Invested in capital assets, net of related debt	2,350	2,273	10	16	2,360	2,289	3.10%
Restricted	430	244	-	-	430	244	76.23%
Unrestricted	(107)	114	45	29	(62)	143	-143.36%
Total net assets	\$ 2,673	2,631	55	45	2,728	2,676	1.94%

The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets are primarily in the General Fund. The District's financial solvency is negative. A 5% - 10% solvency ratio is most commonly used as a goal.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
\$ 387	328	263	308	650	636	2.20%	
1,259	1,219	171	141	1,430	1,360	5.15%	
2,218	1,962	-	-	2,218	1,962	13.05%	
133	118	-	-	133	118	12.71%	
492	328	-	-	492	328	50.00%	
2,343	2,535	-	-	2,343	2,535	-7.57%	
31	20	-	-	31	20	55.00%	
67	17	-	-	67	17	294.12%	
<u>6,930</u>	<u>6,527</u>	<u>434</u>	<u>449</u>	<u>7,364</u>	<u>6,976</u>	<u>5.56%</u>	
4,516	4,393	-	-	4,516	4,393	2.80%	
1,746	1,776	-	-	1,746	1,776	-1.69%	
26	6	449	453	475	459	3.49%	
601	539	-	-	601	539	11.50%	
<u>6,889</u>	<u>6,714</u>	<u>449</u>	<u>453</u>	<u>7,338</u>	<u>7,167</u>	<u>2.39%</u>	
\$ 41	(187)	(15)	(4)	26	(191)	-113.61%	

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$6,929,683 and expenses were \$6,888,651 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 4,516	4,393	2.80%	3,109	3,084	0.81%
Support services	1,746	1,776	-1.69%	1,725	1,759	-1.93%
Non-instructional programs	26	6	333.33%	26	6	333.33%
Other expenses	601	539	11.50%	382	318	20.13%
Totals	<u>\$ 6,889</u>	<u>6,714</u>	<u>2.61%</u>	<u>5,242</u>	<u>5,167</u>	<u>1.45%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$387,024.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$899,293.
- The net cost of governmental activities was financed with \$2,217,618 in property and other taxes and \$2,343,020 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$433,539 and expenses totaled \$448,562. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District held meal prices steady. The Nutrition Fund decreased by \$2,746 from the prior year. The District's Daycare operation showed a loss of \$15,689 for the year. The District's Eagle's Nest Fund is being operated in a manner that any profits are returned to the General Fund.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Southeast-Grand Webster Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$299,830, an 8% decrease from the beginning balance of \$325,590.

## Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of several factors. Costs were incurred for the charter school and federal vocational programs that benefited future years. The charter school has greatly expanded the number of college credits available to our students.
- The Physical Plant and Equipment Levy (PPEL levy) increase by \$19,000. This fund was used for improvements to facilities.
- The Capital Projects fund increased over \$220,000 in the fiscal year ending June 30, 2009. This money can be used for many of the same purposes as the District's PPEL levy. The District is currently prioritizing projects for use of these funds that remain after debt service requirements are met.

## Proprietary Fund Highlights

The School Nutrition Fund balance decreased its position during the fiscal year ending June 30, 2009. The Day Care Fund balance decreased by over \$15,000.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$264,878 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state and federal areas of funding than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures did exceed the amount budgeted in the instruction and non-instructional programs functions due to a change in spending priorities, however, the budget as a whole was not exceeded.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$2.5 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$177,486.

The original cost of the District's capital assets was \$5,655,123. Governmental funds account for \$5,570,036, with the remainder of \$85,087 accounted for in the Proprietary, School Nutrition and Daycare Funds.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 9	9	-	-	9	9	0.00%
Site improvements	407	440	-	-	407	440	-7.50%
Buildings	1,826	1,807	-	-	1,826	1,807	1.05%
Furniture and equipment	268	257	10	16	278	273	1.83%
Totals	<u>\$ 2,510</u>	<u>2,513</u>	<u>10</u>	<u>16</u>	<u>2,520</u>	<u>2,529</u>	<u>-0.36%</u>

## **Long-Term Debt**

Capital loan notes totaling \$160,000 remain. Two payments of \$80,000 each, plus interest, will be made from the Capital Projects Fund.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence on the part of the administration and board of education.
- The Charter School Program appears to be attracting more students to the District. Money from this program provides exciting advanced educational opportunities to our high school students.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Michael Jorgensen, Superintendent, Southeast Webster-Grand Community School District, 30850 Paragon Ave, Burnside, IA 50521.

## **Basic Financial Statements**

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 891,928	32,821	924,749
ISCAP investments	1,528,541	-	1,528,541
Receivables:			
Property tax:			
Current year	33,773	-	33,773
Succeeding year	2,527,567	-	2,527,567
Income surtax	111,192	-	111,192
Due from other governments	71,047	-	71,047
Other receivables	136,668	8,192	144,860
Inventory	-	4,130	4,130
ISCAP accrued interest receivable	7,306	-	7,306
Capital assets, net of accumulated depreciation	2,509,649	10,021	2,519,670
<b>Total assets</b>	<u>7,817,671</u>	<u>55,164</u>	<u>7,872,835</u>
<b>Liabilities</b>			
Accounts payable	327,328	38,306	365,634
Accrued payroll	420,213	-	420,213
ISCAP warrants payable	1,507,000	-	1,507,000
ISCAP unamortized premium	32,794	-	32,794
ISCAP accrued interest payable	252	-	252
Accrued interest payable	426	-	426
Deferred revenue:			
Succeeding year property tax	2,527,567	-	2,527,567
Federal programs	81,846	-	81,846
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	33,792	-	33,792
Capital loan notes	80,000	-	80,000
Portion due after one year:			
Early retirement payable	53,600	-	53,600
Capital loan notes	80,000	-	80,000
<b>Total liabilities</b>	<u>5,144,818</u>	<u>38,306</u>	<u>5,183,124</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,349,649	10,021	2,359,670
Restricted for:			
Physical plant and equipment levy	66,583	-	66,583
Capital projects	338,814	-	338,814
Categorical funding	24,311	-	24,311
Unrestricted	(106,504)	6,837	(99,667)
<b>Total net assets</b>	<u>\$ 2,672,853</u>	<u>16,858</u>	<u>2,689,711</u>

See notes to financial statements.



## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 4,515,851	387,024	1,019,480	(3,109,347)	-	(3,109,347)
Support services:						
Student services	9,843	-	-	(9,843)	-	(9,843)
Instructional staff services	197,949	-	-	(197,949)	-	(197,949)
Administration services	687,679	-	-	(687,679)	-	(687,679)
Operation and maintenance of plant services	431,916	-	21,078	(410,838)	-	(410,838)
Transportation services	418,520	-	-	(418,520)	-	(418,520)
	1,745,907	-	21,078	(1,724,829)	-	(1,724,829)
Non-instructional programs:						
Community service operations	26,415	-	-	(26,415)	-	(26,415)
Other expenditures:						
AEA flowthrough	215,899	-	215,899	-	-	-
Facilities acquisition and construction	204,267	-	2,797	(201,470)	-	(201,470)
Long-term debt interest	8,524	-	-	(8,524)	-	(8,524)
Depreciation (unallocated)*	171,788	-	-	(171,788)	-	(171,788)
	600,478	-	218,696	(381,782)	-	(381,782)
Total governmental activities	6,888,651	387,024	1,259,254	(5,242,373)	-	(5,242,373)

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Business type activities:					
Non-instructional programs:					
Nutrition services	304,577	134,277	170,966	-	666
Other enterprise operations	143,985	128,296	-	-	(15,689)
	448,562	262,573	170,966	-	(15,023)
Total	<u>\$ 7,337,213</u>	<u>649,597</u>	<u>1,430,220</u>	<u>(5,242,373)</u>	<u>(15,023)</u>
					<u>(5,257,396)</u>
General Revenues:					
Property tax levied for:					
General purposes				\$ 1,964,150	-
Management				108,889	-
Capital outlay				144,579	-
Statewide sales and services tax				492,081	-
Income surtax				132,575	-
Unrestricted state grants				2,343,020	-
Unrestricted investment earnings				30,861	-
Other				67,250	-
Total general revenues				<u>5,283,405</u>	<u>-</u>
					<u>5,283,405</u>
Change in net assets				41,032	(15,023)
Net assets beginning of year				2,631,821	35,293
Net assets end of year				<u>\$ 2,672,853</u>	<u>20,270</u>
					<u>2,693,123</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Cash and pooled investments	516,163	3,023	-	64,378	308,364	891,928
ISCAP investments	1,528,541	-	-	-	-	1,528,541
Receivables:						
Property tax:						
Current year	29,918	-	1,650	2,205	-	33,773
Succeeding year	2,122,398	-	250,000	155,169	-	2,527,567
Income surtax	111,192	-	-	-	-	111,192
Due from other governments	40,597	-	-	-	30,450	71,047
ISCAP accrued interest receivable	7,306	-	-	-	-	7,306
Interfund receivable	13,749	-	-	-	-	13,749
Other receivables	136,668	-	-	-	-	136,668
<b>Total assets</b>	<u>4,506,532</u>	<u>3,023</u>	<u>251,650</u>	<u>221,752</u>	<u>338,814</u>	<u>5,321,771</u>

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	323,546	-	3,782	-	-	327,328
Accrued payroll	420,213	-	-	-	-	420,213
Interfund payable	-	-	13,749	-	-	13,749
ISCAP warrants payable	1,507,000	-	-	-	-	1,507,000
ISCAP unamortized premium	32,794	-	-	-	-	32,794
ISCAP accrued interest payable	252	-	-	-	-	252
Deferred revenue:						
Succeeding year property tax	2,122,398	-	250,000	155,169	-	2,527,567
Succeeding year income surtax	111,192	-	-	-	-	111,192
Federal programs	81,846	-	-	-	-	81,846
Total liabilities	4,599,241	-	267,531	155,169	-	5,021,941
Fund balances:						
Reserved for capital projects	-	-	-	-	338,814	338,814
Reserved for categorical funding	24,311	-	-	-	-	24,311
Unreserved	(117,020)	3,023	(15,881)	66,583	-	(63,295)
Total fund balances	(92,709)	3,023	(15,881)	66,583	338,814	299,830
<b>Total liabilities and fund balances</b>	<b>4,506,532</b>	<b>3,023</b>	<b>251,650</b>	<b>221,752</b>	<b>338,814</b>	<b>5,321,771</b>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 299,830
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***Amounts reported for governmental activities in the Statement of Net Assets  
are different because:***

Income surtax receivable at June 30, 2009 is not recognized as a revenue until received in the governmental funds, however it is shown as a revenue in the Statement of Activities in the year of levy, thus no deferred revenue is shown in the Statement of Net Assets	111,192
--	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,509,649
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore is not reported as a liability in the governmental funds.	(426)
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Long-term liabilities, including notes payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(247,392)
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 2,672,853</u></b>
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## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 2,087,457	-	108,889	144,579	492,081	-	2,833,006
Tuition	374,769	-	-	-	-	-	374,769
Other	129,818	100,928	13,009	7,876	2,797	-	254,428
State sources	3,202,486	-	83	110	-	-	3,202,679
Federal sources	255,533	-	-	-	-	-	255,533
Total revenues	6,050,063	100,928	121,981	152,565	494,878	-	6,920,415
Expenditures:							
Current:							
Instruction:	4,252,430	98,869	145,268	-	-	-	4,496,567
Support services:							
Student services	9,843	-	-	-	-	-	9,843
Instructional staff services	197,949	-	-	-	-	-	197,949
Administration services	679,817	-	7,862	-	-	-	687,679
Operation and maintenance of plant services	383,934	-	47,982	-	-	-	431,916
Transportation services	456,807	-	15,254	-	32,515	-	504,576
	1,728,350	-	71,098	-	32,515	-	1,831,963
Non-instructional programs:							
Food service operations	26,415	-	-	-	-	-	26,415

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Expenditures (continued):							
Other expenditures:							
AEA flowthrough	215,899	-	-	-	-	-	215,899
Facility acquisition and construction	-	-	-	133,639	152,924	-	286,563
Long-term debt:							
Principal	-	-	-	-	-	80,000	80,000
Interest	-	-	-	-	-	8,768	8,768
	<u>215,899</u>	<u>-</u>	<u>-</u>	<u>133,639</u>	<u>152,924</u>	<u>88,768</u>	<u>591,230</u>
Total expenditures	<u>6,223,094</u>	<u>98,869</u>	<u>216,366</u>	<u>133,639</u>	<u>185,439</u>	<u>88,768</u>	<u>6,946,175</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(173,031)</u>	<u>2,059</u>	<u>(94,385)</u>	<u>18,926</u>	<u>309,439</u>	<u>(88,768)</u>	<u>(25,760)</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	88,768	88,768
Operating transfers out	-	-	-	-	(88,768)	-	(88,768)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,768)</u>	<u>88,768</u>	<u>-</u>
Change in fund balances	<u>(173,031)</u>	<u>2,059</u>	<u>(94,385)</u>	<u>18,926</u>	<u>220,671</u>	<u>-</u>	<u>(25,760)</u>
Fund balances beginning of year	<u>80,322</u>	<u>964</u>	<u>78,504</u>	<u>47,657</u>	<u>118,143</u>	<u>-</u>	<u>325,590</u>
Fund balances end of year	<u>\$ (92,709)</u>	<u>3,023</u>	<u>(15,881)</u>	<u>66,583</u>	<u>338,814</u>	<u>-</u>	<u>299,830</u>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2009

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$ (25,760)
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**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities

This represents the change from FY08 to FY09

9,268

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 168,352	
Depreciation expense	<u>(171,788)</u>	(3,436)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

244

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(72,200)	
Payments	<u>52,916</u>	(19,284)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

80,000

<b>Change in net assets of governmental activities (Exhibit B)</b>	<u><u>\$ 41,032</u></u>
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## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and pooled investments	\$ 29,346	3,475	32,821
Other receivables	8,192	-	8,192
Inventories	4,130	-	4,130
Capital assets, net of accumulated depreciation	9,885	136	10,021
<b>Total assets</b>	<u>51,553</u>	<u>3,611</u>	<u>55,164</u>
<b>Liabilities</b>			
Accounts payable	<u>38,306</u>	<u>-</u>	<u>38,306</u>
	<u>38,306</u>	<u>-</u>	<u>38,306</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	9,885	136	10,021
Unrestricted	<u>3,362</u>	<u>3,475</u>	<u>6,837</u>
<b>Total net assets</b>	<u>\$ 13,247</u>	<u>3,611</u>	<u>16,858</u>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Eagles Nest</u>	<u>Daycare</u>	<u>Total</u>
Operating revenue:				
Local sources:				
Charges for goods and services	\$ 134,277	28,973	95,911	259,161
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	89,853	-	-	89,853
Benefits	23,858	-	-	23,858
Services	5,802	-	-	5,802
Supplies	182,148	-	-	182,148
Depreciation	2,916	-	-	2,916
	<u>304,577</u>	<u>-</u>	<u>-</u>	<u>304,577</u>
Other enterprise operations:				
Salaries	-	3,828	83,805	87,633
Benefits	-	1,960	11,006	12,966
Services	-	-	538	538
Supplies	-	26,597	13,060	39,657
Depreciation	-	-	3,191	3,191
	<u>-</u>	<u>32,385</u>	<u>111,600</u>	<u>143,985</u>
Total operating expenses	<u>304,577</u>	<u>32,385</u>	<u>111,600</u>	<u>448,562</u>
Operating (loss)	<u>(170,300)</u>	<u>(3,412)</u>	<u>(15,689)</u>	<u>(189,401)</u>
Non-operating revenues:				
Interest on investments	37	-	-	37
Capital from General Fund	-	3,412	-	3,412
State sources	3,694	-	-	3,694
Federal sources	163,823	-	-	163,823
	<u>167,554</u>	<u>3,412</u>	<u>-</u>	<u>170,966</u>
Change in fund net assets	(2,746)	-	(15,689)	(18,435)
Net assets beginning of year	<u>15,993</u>	<u>-</u>	<u>19,300</u>	<u>35,293</u>
Net assets end of year	<u>\$ 13,247</u>	<u>-</u>	<u>3,611</u>	<u>16,858</u>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	School Nutrition	Eagles Nest	Daycare	Total
Cash flows from operating activities:				
Cash received from sale of inventory	\$ -	28,973	-	28,973
Cash received from sale of services	124,580	-	95,911	220,491
Cash payments to employees for services	(113,711)	(5,788)	(94,811)	(214,310)
Cash payments to suppliers for goods or services	(138,045)	(26,597)	(13,598)	(178,240)
Net cash provided by (used in) operating activities	(127,176)	(3,412)	(12,498)	(143,086)
Cash flows from non-capital financing activities:				
State grants received	3,694	-	-	3,694
Federal grants received	143,724	-	-	143,724
Net cash provided by non-capital financing activities	147,418	-	-	147,418
Cash flows from capital financing activities:				
Transfer from General Funds	-	3,412	-	3,412
Cash flows from investing activities:				
Interest on investments	37	-	-	37
Net increase in cash and cash equivalents	20,279	-	(12,498)	7,781
Cash and cash equivalents beginning of year	9,067	-	15,973	25,040
Cash and cash equivalents end of year	\$ 29,346	-	3,475	32,821
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>				
Operating (loss)	\$ (170,300)	(3,412)	(15,689)	(189,401)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,916	-	3,191	6,107
Commodities used	11,599	-	-	11,599
(Increase) in other receivables	(7,945)	-	-	(7,945)
Increase in accounts payable	38,306	-	-	38,306
(Increase) in unearned revenues	(1,752)	-	-	(1,752)
	\$ (127,176)	(3,412)	(12,498)	(143,086)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$11,599.

See notes to financial statements.

# **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

## **Notes to Financial Statements**

June 30, 2009

### **(1) Summary of Significant Accounting Policies**

Southeast Webster-Grand Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Boxholm, Pilot Mound, Burnside, Harcourt, Lehigh, and Dayton, Iowa, and agricultural territory in Webster and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, Southeast Webster-Grand Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Southeast Webster-Grand Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster and Boone County Assessor's Conference Boards.

#### **B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition, Eagles Nest and Day Care Funds. These funds are used to account for the food service, student run business and day care operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District is prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program funds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2009.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	-	-	9,000
Capital assets being depreciated:				
Site Improvements	709,980	-	-	709,980
Buildings	3,244,685	82,296	-	3,326,981
Furniture and Equipment	1,438,019	86,056	-	1,524,075
Total capital assets being depreciated	5,392,684	168,352	-	5,561,036
Less accumulated depreciation for:				
Site Improvements	269,926	33,199	-	303,125
Buildings	1,437,501	63,076	-	1,500,577
Furniture and Equipment	1,181,172	75,513	-	1,256,685
Total accumulated depreciation	2,888,599	171,788	-	3,060,387
Total capital assets being depreciated, net	2,504,085	(3,436)	-	2,500,649
Governmental activities, capital assets, net	\$ 2,513,085	(3,436)	-	2,509,649
Business type activities:				
Furniture and equipment	\$ 82,627	2,460	-	85,087
Less accumulated depreciation	68,959	6,107	-	75,066
Business type activities capital assets, net	\$ 13,668	(3,647)	-	10,021

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 171,788
Business Type activities	
Food service operations	\$ 2,916
Other enterprise operations	3,191
	\$ 6,107

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$242,675, \$223,190, and \$206,290 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$215,899 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Changes in Long Term Liabilities**

A summary of the changes in long-term debt for the year ended June 30, 2009 is as follows:

	<u>Early Retirement</u>	<u>Capital Loan Notes</u>	<u>Total</u>
Balance beginning of year	\$68,108	240,000	308,108
Additions	72,200	-	72,200
Reductions	<u>52,916</u>	<u>80,000</u>	<u>132,916</u>
Balance end of year	<u>\$87,392</u>	<u>160,000</u>	<u>247,392</u>

In 2006, the District issued \$400,000 of Capital Loan Notes for the construction of a new track. The notes will be repaid with proceeds of the Statewide Sales and Services Tax (formerly Boone County Local Option).

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	3.60%	\$5,116	80,000	85,116
2011	3.60	<u>2,196</u>	<u>80,000</u>	<u>82,196</u>
Total		<u>\$7,312</u>	<u>160,000</u>	<u>167,312</u>

**(7) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$88,768</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(9) Early Retirement**

Early retirement benefits are available to certificated employees who are 55 years old by June 30, 2009 and have 15 years of continued experience with Southeast Webster-Grand Community School District (including its predecessor districts). Benefits will be equal to 100% of the difference between the employee's salary per the salary schedule and the B.A. base. Benefits totaling \$52,916 were paid in fiscal year 2009.

**(10) Financial Condition**

The General Fund had a negative fund balance of \$92,709 at June 30, 2009.

## **Required Supplementary Information**

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 3,462,203	259,198	3,721,401	3,697,931	3,697,931	23,470
State sources	3,202,679	3,694	3,206,373	3,391,077	3,391,077	(184,704)
Federal sources	255,533	163,823	419,356	523,000	523,000	(103,644)
Total revenues	<u>6,920,415</u>	<u>426,715</u>	<u>7,347,130</u>	<u>7,612,008</u>	<u>7,612,008</u>	<u>(264,878)</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,496,567	-	4,496,567	4,434,046	4,434,046	(62,521)
Support services	1,831,963	-	1,831,963	2,060,000	2,060,000	228,037
Non-instructional programs	26,415	448,562	474,977	458,000	458,000	(16,977)
Other expenditures	591,230	-	591,230	607,510	607,510	16,280
Total expenditures/expenses	<u>6,946,175</u>	<u>448,562</u>	<u>7,394,737</u>	<u>7,559,556</u>	<u>7,559,556</u>	<u>164,819</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(25,760)	(21,847)	(47,607)	52,452	52,452	(100,059)
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(25,760)	(21,847)	(47,607)	52,452	52,452	(100,059)
Balance beginning of year	325,590	35,293	360,883	614,354	614,354	(253,471)
Balance end of year	<u>\$ 299,830</u>	<u>13,446</u>	<u>313,276</u>	<u>666,806</u>	<u>666,806</u>	<u>(353,530)</u>

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

## **Other Supplementary Information**

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
All HS Athletics	691	45	563	173
HS Uniforms	(2,801)	5,000	1,958	241
HS Football	(845)	8,703	5,754	2,104
HS Basketball	1,787	11,933	8,969	4,751
HS Track	(3,096)	7,742	3,835	811
HS Golf	(842)	175	895	(1,562)
HS Baseball/Softball	(5,572)	4,260	6,257	(7,569)
HS Volleyball	(2,851)	2,129	3,066	(3,788)
HS Wrestling	8,550	5,922	12,024	2,448
Class of 2011	-	-	150	(150)
Class of 2008	358	67	-	425
Class of 2009	368	1,059	1,266	161
Class of 2010	(150)	9,118	8,264	704
Class of 2007	207	-	-	207
All JH Athletics	1,752	6,235	7,987	-
JH Football	(1,058)	1,058	-	-
JH Volleyball	(559)	447	300	(412)
JH Basketball	(73)	759	1,321	(635)
JH Track	(215)	997	699	83
JH Baseball/Softball	(2,372)	1,032	-	(1,340)
Pictures	2,057	479	1,435	1,101
Project Graduation	2,013	6,133	5,834	2,312
RIF	14	569	483	100
HS Activities	31	-	-	31
Student Insurance	(221)	221	-	-
Student Awards & Honors	110	210	-	320
JH Band Club	246	4,928	3,857	1,317
HS Band Club	2,996	4,250	3,652	3,594
Speech Club	(6,280)	5,300	548	(1,528)
JH Vocal Club	85	-	-	85
SH Vocal Club	(13)	-	-	(13)
National Honor Society	(203)	1,362	770	389
DECA	(4,156)	179	1,254	(5,231)
Operation Angel Tree	623	2,631	2,416	838
Industrial Tech Club	(445)	-	-	(445)
HS Cheerleading	5,209	5,255	9,379	1,085
Youth Softball	47	660	289	418
FCA	181	-	-	181
JH Student Council	2,395	3,093	4,068	1,420
SH Student Council	2,996	928	3,527	397
	964	102,879	100,820	3,023
Less interaccount transfers		(1,951)	(1,951)	
Total	964	100,928	98,869	3,023

See accompanying independent auditor's report.

## For the Last Six Years

See accompanying independent auditor's report.



# BRUCE D. FRINK

## Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Southeast Webster-Grand Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southeast Webster-Grand Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Webster-Grand Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Webster-Grand Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southeast Webster-Grand Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southeast Webster-Grand Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southeast Webster-Grand Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09, to be material weaknesses.

#### Compliance and Other Matters

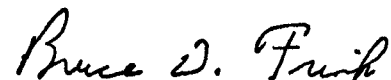
As part of obtaining reasonable assurance about whether Southeast Webster-Grand Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Webster-Grand Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Southeast Webster-Grand Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Webster-Grand Community School District and other parties to whom Southeast Webster-Grand Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Webster-Grand Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 26, 2010

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-09      Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

I-B-09      AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-09      Certified Budget - During the year ending June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-09      Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-D-09      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-E-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-F-09      Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-G-09      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-H-09      Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-09      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting  
(continued)

II-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			492,081
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	32,515	
Improvements		152,924	
Debt service for school infrastructure:			
Revenue bonds		<u>88,768</u>	<u>274,207</u>
Ending balance			<u>\$217,874</u>

II-L-09      Deficit Balance - Several student activity accounts had deficit balances at June 30, 2009. The General Fund had a deficit balance of \$92,709 at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the General Fund and student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.